

SENATE No. 20.

Commonwealth of Massachusetts.

To the Senate and House of Representatives :

The Legislature of the year 1884 adopted the following resolve : —

Resolved, That the Governor and Council be and they are hereby requested to consider the relation of the Commonwealth to the Troy and Greenfield Railroad and Hoosac Tunnel, and to report to the next session of the Legislature such recommendations and suggestions concerning the future management or disposition thereof as they may deem expedient."

In obedience to this request a careful and extended consideration was given to the subject matter of the resolve, and to the facts and questions deemed to have important relation thereto. Information and advice were sought and obtained from many gentlemen prominently engaged and largely experienced in the control of leading enterprises in manufacture, trade, transportation, domestic and foreign commerce. It now becomes my duty to communicate to the General Court the conclusions arrived at and the reasons upon which the same are based.

The settlement of the outstanding claims of the Troy and Greenfield Railroad Company, and the transfer of all its rights, legal and equitable, to the State, the full details of which were set forth in my inaugural address at the opening of your session, simplified the issues presented, and effected absolute relief from the necessity of inquiry into the rela-

tions of the Commonwealth to the said railroad and tunnel. No embarrassment from divided or disputed ownership can now complicate the problem or defeat its solution. The State is the sole owner, and may decide what it will do with its own property, subject only to the performance of the existing contracts for its management and use. The history of the great tunnel undertaking is written in the public records of Massachusetts, and needs no rehearsal in this connection. Discussion over the policy of its inauguration or the methods of its accomplishment must certainly be regarded as irrelevant and futile. The work is done. The road is of great value, and capable of contributing immeasurable benefits to the varied interests of the State and of the people at large.

The line, extending from Greenfield through the tunnel to the boundary between Massachusetts and Vermont, a distance of 44 miles, is now practically completed with a double track of steel rails, all necessary sidings, substantial bridges, station buildings and other essentials to a first-class road, and is pronounced by the most competent experts to be in a condition of excellence superior to most of the railways in the Commonwealth. The route by the way of the State road possesses considerable advantage in grade and distance over any other line between Boston and the Hudson River. No extraordinary outlay is anticipated for the present, and the demand for an annual appropriation from the State treasury to increase the facilities for transportation, or to develop the line, has ceased. The Southern Vermont Railroad, extending westwardly six miles from the line between Massachusetts and Vermont, is also owned by the Commonwealth, but held under a perpetual lease, at a fixed yearly rental, by the Troy and Boston Railroad Company. It is not managed by the State, or under its control in any way. For these and other reasons it may properly be disregarded in the present inquiry.

From the inception of the tunnel enterprise in 1848, to the present time, the State has expended upon it about \$14,200,000, which amount now stands as a funded debt. If payments of interest are included (though that cannot justly be considered in a fair statement of the cost of the

work), the total, as stated by the auditor in his annual report, stood Jan. 1, 1885, at \$24,173,238.67. In fixing this amount allowance for income has been made. The average due-date of the funded indebtedness on this account is August 3, 1891. To be more specific, it falls due in instalments at various times from April 1, 1888, to September 1, 1897, but considerably the larger portion must be paid before 1893. To discharge this obligation at the several periods of maturity required a total sinking fund January 1, 1885, to the amount of \$10,996,903.77, while the actual sum in hand for that purpose on the date named was \$6,306,664.80. The consequent deficit as of that date was therefore \$4,690,238.97. The present fund, with its probable accumulations, will pay all the instalments of the debt maturing up to and including April 1, 1891, and furnish \$827,508.47 towards the payment required July 1, 1891, leaving \$2,790,734.28 then to become due, and all instalments thereafter to mature to be provided for by taxation or otherwise. It is apparent that postponement of action, from year to year, that shall make provision to meet these obligations of the State, will not fail to necessitate a correspondingly larger annual burden when assumed.

Undoubtedly the State carried on the gigantic undertaking of the tunnel construction, requiring the payment of million upon million of dollars, without expectation that the investment could ever prove directly profitable or remunerative to the common treasury. The great object was, and undoubtedly still is, to bring about the establishment of a through line of transportation between the interior of the country and the port of Boston, and to promote commerce, cheapen the price of commodities by reducing freight charges, and to distribute incalculable benefits among the people at large, who may thereby have saved to them from their necessary expenditures more than their proportionate share of the burden imposed by taxation in payment for the work. While, therefore, undue emphasis is not to be laid upon the statement of cost or upon the estimate of the needs of the treasury, subordinate as these matters really are to the general public interest, such considerations bear upon the present discussion with great pertinence and force. The

direct tax upon the people of the State which must be laid in the near future, unless some other adequate plan for the cancellation of the debt is favorably adopted, will bring the Commonwealth to a sharp realization of the true cost of this railroad property, and to a just measure of the financial obligations on its account. Whether the State be considered merely as a property holder, or as a guardian of great public interests, prudence will dictate that, in view of the vast sum of money which the State has agreed to pay, and which it will surely pay at the appointed time, a wise, comprehensive and far-reaching policy should be promptly inaugurated that shall fortify the position of the State in either capacity. A continued disregard of the vital features of the situation, or the neglect of timely measures of precaution, may bring the occasion for an unreasoning demand that will sacrifice the property and destroy its power for relief. Whichever way the question is viewed, the essential elements of the problem cannot be dissociated in determining upon a judicious scheme of solution.

The existing contracts with the Fitchburg Railroad Company, the Boston, Hoosac Tunnel and Western Railroad Company, the Troy and Boston Railroad Company, and the New Haven and Northampton Company, for the operation of the State's road and tunnel, will expire by limitation October 1, 1887. Reasonable anticipation of the future, demands that action be taken to put the Commonwealth in such a position that it may not be compelled to yield to whatever terms may then be offered, and the time is now no more than sufficient for that purpose. Whatever may be the real merits of their claims, there is little room for doubt that the owners of roads connecting with the tunnel line will insist upon greater concessions from the State, and be enabled to secure them if indifference or neglect shall have disabled the Commonwealth in the conflict between great interests. They will care for their property as vigilant business men, and omit no effort to make the best bargain for themselves. To suffer the State to drift along without definite purpose for the future will demonstrate the lack of ordinary sagacity, and a disregard of the weighty responsibilities that rest upon those to whom the people have committed high trusts.

Such, in brief, are the elements of the problem before you for solution. What shall be done with the property to bring from it the largest possible income of benefit? To make provision for the payment of the public debt incurred on this account; to develop the road and tunnel into an indispensable factor in the great work of cheapening and extending freight carriage; to place the Commonwealth, without delay, in that position of independent action that it may not be powerless for its own protection, when in negotiation with corporations of its own creation; to adopt conservative measures that shall disengage the State, as soon as practicable, from the direct management of industrial concerns; to hold well secured, all the advantages, actual and possible, which were anticipated as inducements to the extraordinary undertaking and expenditure — all these are prime objects to be sought. The true test of any plan will be found in its power to realize these several objects to the highest degree attainable.

In entering, therefore, upon a discussion of the various methods for the disposition or utilization of the railroad and tunnel line, I may state it as the unanimous opinion of the Governor and Council that, keeping in view all the considerations heretofore stated, no plan should be adopted that does not contemplate the application of the State's property to a system of combined, vigorous and extended operation or an unbroken thoroughfare of traffic from the great West to the ports of eastern Massachusetts. The tunnel line must be put in such condition and connection that it can contend with equal advantage with its formidable competitors. Dis-jointed action ends in obstruction and defeat. The managers of rival lines, looking solely to their own interests, could desire nothing more than the perpetuation of separate and inharmonious control. The State's railroad, though faultless in construction and equipment, constitutes but a single step in the vast distance over which transportation must be carried on, and if loosely or feebly managed with other disconnected organizations, will surely fail to justify its construction. It can signify but little in the aggregate of benefits if, after all the expenditure of money, years of wearisome labor and heated controversies, the State and the people

realize no greater result than the ownership of forty-four miles of railroad, which can promise but an inconsiderable local business and is otherwise dependent upon the temporary plans or necessities of corporations working disconnectedly and inharmoniously. Nothing is now more clearly demonstrated than that railroad business in general, to be successful, must be managed on an extensive scale and with ample facilities for a large traffic at low rates. Conditions that seem to be of trivial importance, and apparently slight differences in freight charges, are sufficient to control the course and volume of transportation and to determine the question of profit and loss. While, therefore, the State will undoubtedly secure to the various connecting roads reasonable use of the tunnel on just terms and under proper restrictions, the essential purpose must be to develop the largest possible through business over a continuous line that shall have the capacity and power to compete successfully with all rivals and facilitate to the utmost commercial intercourse between the West and the East. Nor is it to be doubted that all the local interests along the line will be more efficiently and satisfactorily served by a powerful organization able to protect every part of its property.

The various methods of organization and management which have been investigated by the Governor and Council will be presented and discussed separately.

CONTRACT SYSTEM, OR TOLL-GATE PLAN.

This method has now been on trial ten years, and however conclusive the argument for its adoption may have seemed, or whatever may appear to be the reasonable theory concerning it, the experience of the State furnishes most abundant testimony and instruction concerning its administration. Under the Act of 1875, any corporation owning or operating a railroad which may connect with or be built to the line of the State's tunnel and road, is allowed to connect therewith and to enter upon and use, with its own motive power, said tunnel and road upon terms and conditions and for tolls prescribed, under specified limitations, by the Governor and Council. In fixing such tolls, due regard is to be had to the commercial value of said railroad and tunnel, and

to the development of business, as well as to the cost of the tunnel property. Corporations paying the tolls prescribed are required to pay no other tolls, percentages or allowances, but all of them are placed on a footing of equality. Pursuant to this statute several contracts for the use of the road and tunnel were entered into, and these were subsequently modified for the relief and benefit of the contracting corporations, under the provisions of the Act of 1880.

Touching the necessities of the State in reference to its financial obligations, as they have been hereinbefore stated, it becomes important to examine the returns of the net results from these contracts, and thereupon to predicate an estimate for the future. The Treasurer of the Commonwealth submits the following exhibit from his books, covering the transactions for each year ending September 30, from 1875 to 1884, inclusive, and showing the gross receipts, the cost of maintenance and running expenses, and the net earnings or income:—

YEAR.	Receipts by Commonwealth.	Maintenance and Running Expenses.	Net Income.
* 1875	\$36,592 98	\$23,399 32	\$13,193 66
1876	83,625 62	45,779 81	37,845 81
1877	158,141 25	60,235 31	97,905 94
1878	148,785 90	77,740 57	71,045 33
1879	182,158 46	106,819 90	75,338 56
1880	215,419 75	123,760 55	91,659 20
1881	219,077 88	183,206 41	35,781 47
1882	202,777 46	171,064 18	31,713 28
1883	266,330 00	209,337 00	56,993 00
1884	259,146 56	219,991 42	39,155 14

* Six months.

In the foregoing statement the net earnings are increased by the amount of the annual rent of the Southern Vermont Railroad, to wit: \$12,000; but for the years 1883 and 1884 the said rent, being in arrears, is not included. Besides, the net income for 1883 and 1884 is subject to a possible reduction upon the settlement of some disputed claims now pending against the State and arising, as is alleged, under the contracts. The State's road is taken to be so many miles of railroad, irrespective of the difficulties or cost of its con-

struction, and no arbitrary allowance is made in favor of the State, because of the fact that a certain portion was carried through the mountain at immense expense. Observing that the net income falls far short of the sum needed to discharge the annual interest claim, no one can reasonably expect that the State's property, by a continuance of management under the system now in practice, will yield a net profit sufficient to materially aid the present sinking funds in discharging the tunnel debt at maturity, or appreciably diminish the burden of taxation. And this conclusion is clear, though due recognition is made of the actual increase in business already secured over the road, and a liberal allowance be added for the probable development in the future.

It is also to be borne in mind that this system offers the occasion from time to time to seek, through legislative enactment, relief from the obligations of the contracts in force, and it does not appear of record that any modification of such contracts has yet been made whereby the State has realized enlarged pecuniary advantage.

But the insufficiency of this method is still more strongly demonstrated in its substantial failure to subserve the highest interests involved in expeditious and cheap transportation. It necessarily obstructs the operation of the State's railroad, as well as that of all others that endeavor to cooperate with it, because it embarrasses every effort for permanent and comprehensive arrangements with connecting lines, whereby enlargement and concentration can be accomplished. And this objection is altogether the most urgent.

Realizing to the treasury no considerable income from its investment, the Commonwealth sacrifices largely other advantages by pursuing a policy that stifles development and violates every sound and progressive principle in the management of railroad business on an extensive scale. It is of small consequence that all railroad corporations may run over the State road on equal terms, however favorable, if the result is a series of disconnected and conflicting operations, limited to the localities covered by the respective lines joining with the tunnel route. Indeed, if no tolls were imposed, experience shows that no corporation that availed itself

of the opportunity could even then maintain successful competition for the great through business against a rival line controlled under one combined system. It may be said in reply that traffic over the tunnel line has been very considerably enlarged from year to year, and this is true; but there is not an expert in these matters who will not declare that such business must have been done at great disadvantage and at disproportionate expense, and that combination and concentration over long distances is the lesson and necessity of the present time.

EXCLUSIVE STATE OPERATION.

Although it will be entirely feasible for the State, after present contracts are at an end, to put its road and tunnel wholly under its own direct management and operation, providing therefor all necessary equipment, and enter into open competition for a share in the business of transporting passengers and freight, still it is not to be expected that so radical a departure from the ordinary province of State jurisdiction and duty will be seriously urged, or, if adopted, could be sustained against the sound and conservative sentiment entertained on this question by the people. Grant for the moment that the State could operate its forty-four miles of railroad economically, and yet it would fall far short of realizing the aggregate of possible benefits. There is not the least probability that power would be granted to buy or lease other roads. No addition to the net income would be assured, and the people would be left farther than they are even now from the accomplishment of a concentrated, vigorous and far-reaching conduct of railroad traffic between the East and the West. A republican government cannot safely and efficiently manage business of this character, and should not attempt it except under imperative necessity. The legislative and executive departments of our government are not properly constituted to protect the interests of the State in the inevitable struggle with rival railroad corporations. The frequent changes that are constantly going on among those who are elected to administer the important trusts of public office, salutary as they may be in point of political advantage, are radically destructive in the manage-

ment of business affairs, for which experience, sagacity and unity of action are essential.

Claims for damages to persons and property, for lost baggage, and of all other possible descriptions, would be pressed upon the Commonwealth, and, as it could not afford to be without a soul, it could not disregard the innumerable opportunities to demonstrate its benevolence by liberal grants from its treasury. Whatever other advantages may be aimed at, it must not be overlooked that every reasonable effort is demanded not to further involve the State in railroad management, but to extricate and relieve it from the present complications as soon as may be prudently done.

Without further argument, the conclusion may be stated that this plan does not commend itself to the approval of the Governor and Council.

SALE OF THE ROAD AND TUNNEL.

No offer to purchase has been made to the Governor and Council, and no estimate of the value of the State's property has been communicated by those who may be considered most competent judges, which could be properly entertained. Some persons strenuously urge that it is best to sell the road and tunnel for the most favorable offer, and at once sever the connection between them and the State. Indeed, it is not at all improbable that there may be some who will go so far as to say, "Give it away to anybody who will take it, and let us hear no more about it." But the sober, solid sense of the people will not justify or tolerate any recklessness in the solution of this important problem. There is no occasion or reason for the Commonwealth to donate this valuable property, or to sacrifice it for an inconsiderable sum. Happily the State is in no financial distress. Though enough were offered to supply the existing deficiency in the sinking funds, as already stated, other considerations require such a decision as shall not imperil the great undertaking or forfeit the advantages sure to be realized from it. All propositions for the purchase of the tunnel road will doubtless contemplate its absolute separation from responsibility to the State and commit it to the ownership and supervision of private individuals or corporations. Such disposition of the

property might easily result in sacrificing every substantial benefit guaranteed in the construction of the road. It is not necessary to that end that the purchaser actually close the tunnel and discontinue the use of the road. That is not to be expected. But any management that should prevent or destroy competition, or should regard chiefly the promotion of commerce with other seaports instead of our own capital city, or that should subordinate the interests of Massachusetts to the advancement of any other State or community would accomplish a virtual appropriation of the investments and resources of our Commonwealth to the creation and maintenance of organizations that carry their strength elsewhere. Vast sums of money, it is true, have been absorbed in the construction of the roadway through the western range of mountains and in extending the line of communication to the boundary of the State, but the volume of business handled yearly by the great transportation routes far exceeds in value the entire outlay made by the State in this enterprise, and there is no practicable limit to be set to the accumulation of benefits resulting therefrom to the city of Boston, to the rapidly growing and multiplying communities along the line and its connections, and to the inhabitants of the State at large.

Considering further the fact that several roads have been put into connection with the tunnel road at large expenditure and with reliance upon the terms established in various acts of the Legislature, it is proper to inquire whether the State will have kept good faith with the owners of these roads if it shall sell its property to any party without reserving certain privileges for these connecting roads. Besides, the tunnel constitutes to a considerable extent a monopoly by nature, and competition by the construction of a parallel road within any near distance is not to be expected. This element was fully appreciated by its projectors, by the State, and by all corporations that have established connections with it. It is not probable that any purchaser will accept the property subject to such conditions except at a price quite insignificant.

While, therefore, the sale and transfer of the tunnel property outright to private parties might put a considerable

sum into the treasury, relieve the State at once from participation in its control, and afford an opportunity to combine it into an extensive through line, capable of conducting an enormous traffic, still the governor and council are unanimously of the opinion that no such disposal of the property can prudently be made in view of the other considerations stated and held to be controlling.

CONSOLIDATION.

Much that might be urged on this point has already been advanced or suggested in the discussion of the other methods. Largely reduced expenses of management will surely follow consolidation. That is the universal result? Instances are numerous, but none more evident than in the case of the Old Colony Railroad, the Boston and Albany Railroad, and the Boston and Lowell Railroad. Indeed, it would be entirely reasonable to expect from a consolidation of the tunnel road into a compact and vigorous organization so great a reduction in the cost of operation, terminal charges and other outlay, as would exceed the net income now accruing to the State under the toll-gate plan.

The State owns a great public work, of vast capacity for assistance to industrial and commercial interests, and it should be managed in a business way, according to the best experience in similar enterprises. The tendency everywhere is to the union of small corporations into those of larger amount and power. Public interests are served by these consolidations. Business rules are applied to business undertakings, and in the long run substantial profit follows. The State's property can be put to the greatest service, not by retaining it in its present isolated position of comparative weakness and embarrassment, but by joining it in consolidation with other lines reaching eastward and westward, and under a strong, harmonious and enterprising management, that shall compel recognition and command a liberal share in the transportation traffic across the country.

Nor are the benefits received alone at the terminal points. Along the whole line industries are quickened into greater activity and population multiplies. While, therefore, a strong road may be established which will form the western

connections to which Boston must look for her development as a point of export to European countries, every town and city along the line in Massachusetts will feel the impulse of the more energetic and comprehensive policy.

In providing for such consolidation, the importance of creating a corporation to be largely owned and managed in the interest of Massachusetts should not be overlooked, and proper authority should be given for carriage over the tunnel line of persons and property coming from or going to roads now or hereafter connecting with it, upon reasonable conditions.

Power should also be granted to the new corporation to enter into contracts for the ownership or lease of lines beyond the limits of the Commonwealth, to be operated as a part of the whole system.

The governor and council believe that such a plan for consolidation should be adopted, and that if all needful provisions in detail be included, the capabilities of the route will be rapidly developed and all the interests of the public be protected. By it so great an increase in the practical value of the State's property will be realized that in a pecuniary sense the State will receive substantial relief and an early separation be effected between the financial concerns of the tunnel and those of the State.

CONCLUSION.

Make the case of the State, as it now stands in relation to this valuable property, that of a private individual or corporation, and the present emergency becomes so real than any argument for prompt and effective action is plainly gratuitous. Nor must the fact be lost sight of that the processes in such matters of state government are necessarily slow and uncertain. The history of all great public transactions, and none the less of those touching the subject now in hand, furnishes the most abundant proof that the people arrive at the objects desired only with great difficulty and after vexatious delays.

If the recommendations submitted shall commend themselves to your deliberate judgment, legislation will be required to accomplish the desired results. The general

railroad law is not sufficient to meet the exigency without some modification, and general provisions to secure efficiency of action and protection of all interests involved must be enacted. Should you be of the opinion that full details cannot be advantageously worked out by the Legislature during its session, it may be advisable to confer authority under proper limitations to act for the Commonwealth in the adjustment of all specific provisions and to enter into the negotiations that must be had in order to bring the question to a safe and acceptable determination.

GEO. D. ROBINSON,

Governor.

EXECUTIVE CHAMBER, Feb. 3, 1885.



